

**01188**

**1989/07/26**

~~SECRET~~ Status Report on Situation in China  
As of July 26, 1989

FBI  
**EXCISE**

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--A surface calm has returned to Beijing and other cities that were rocked by protests from mid-April to early June.

--Troop drawdowns in and around Beijing continue, but martial law is likely to remain in effect at least through October 1 (National Day), and possibly through the winter. Between 100,000 and 200,000 troops remain in the vicinity.

--The crackdown on protest organizers and those who attacked troops or damaged property continues. Thousands have been detained. At least 12--and possibly many more--have been executed. Four more were sentenced to death in Beijing this week, at least two for rioting in June. Reports of secret arrests and executions are widespread.

--The leadership situation remains fluid. Party elders, led by Deng Xiaoping, have reasserted control. Newly appointed leaders--especially party chief Jiang Zemin--are getting high visibility, but are careful to defer to Deng. Rivalries within the Politburo are likely to heighten as the economy worsens and Deng and other elders sicken or die.

--The fate of ousted party chief Zhao Ziyang remains uncertain. One unconfirmed press report alleges that he will be "tried" by a tribunal of high-ranking party officials this Friday. Efforts to disgrace him, erode policies associated with him--especially in political and cultural fields--and tar him and his family with charges of corruption continue. Many of his "brain trusters" have been arrested, or have fled the country.

--The populace in the capital remains sullen. According to Embassy Beijing, most citizens, bureaucrats, and low-level officials are paying lip service to the current line, but showing no enthusiasm and refuse to cooperate with investigations of neighbors or co-workers. Students remain restive, as suggested by a brief campus protest this week.

--The economy continues to slide. Although PRC media are putting the best face on the situation, the consensus of [REDACTED] analysts is that inflation has not been brought under control, China is headed for a large foreign trade deficit, foreign investment and loans have dried up, and plans to reduce the rate of industrial growth, insofar as they have been successful, indicate a growing likelihood of stagflation. B1

--China's foreign relations remain in disarray. Following the US lead, Japan and most of Western Europe refuse to return to business as usual, Hong Kong is running scared, and Taiwan is having greater success in its quest to upgrade its international status. China, for now, continues to try to limit the damage while focusing on relations with the Third World, symbolized by Foreign Minister Qian Qichen's current trip to Africa.

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